

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Baton Rouge Community College
Louisiana Community and
Technical College System
State of Louisiana
Baton Rouge, Louisiana

December 13, 2000



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana**

Management Letter
Dated December 7, 2000

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

December 13, 2000



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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December 7, 2000

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As part of our audit of the Louisiana Community and Technical College System's financial statements for the year ended June 30, 2000, we considered the Baton Rouge Community College's internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the Systems' financial statements; and we tested the college's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*.

The Annual Fiscal Report of the Baton Rouge Community College is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The college's accounts are an integral part of the Louisiana Community and Technical College System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior audit report on the Baton Rouge Community College for the year ended June 30, 1999, we reported findings relating to noncompliance with movable property regulations, bank account not reconciled to accounting records, inadequate controls over cash receipts, inadequate segregation of duties, financial reporting weaknesses, lack of controls over student accounts receivable, bank accounts and cash management policies not approved, and untimely requests for reimbursements for federal award programs. Management has resolved all the findings except for the finding relating to lack of controls over student accounts receivable, which is addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

**Accounting Records Do Not
Agree With Bank Deposits**

Cash receipts recorded in the college's accounting records do not agree to deposits in the bank. Between July 1998 and April 30, 2000, the college recorded cash receipts totaling \$21,187 that cannot be agreed to bank deposits. Between July 1998 and June 30, 2000, bank deposits totaling \$6,587 were not recorded in the accounting records. These differences between receipts recorded in the accounting records and deposits in the bank resulted in net differences totaling \$15,063 and (\$463), for the fiscal years ended June 30, 1999, and June 30, 2000, respectively.

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BATON ROUGE COMMUNITY COLLEGE LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

Management Letter, Dated December 7, 2000

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Adequate cash management procedures require a periodic reconciliation of the accounting records to the bank account balances to detect errors or fraud. During the fiscal year ended June 30, 1999, weaknesses in internal control over cash receipts existed that included the failure of the former accounting staff to complete a bank reconciliation. The difference between recorded receipts and deposits to the bank was identified in February 2000, when the current accounting staff completed a bank reconciliation for the period July 1998 through February 2000. As of October 2000, the college has not determined whether the net undeposited receipts resulted from actual receipts that were not deposited or from erroneous entries in the accounting records.

Management of the college should determine if cash or checks were actually received for the amounts recorded in the accounting records. If cash or checks were actually received and not deposited, the college should take appropriate actions to recover the missing funds including notifying the appropriate law enforcement authorities. Management of the college concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Lack of Controls Over Student Accounts Receivable

For the second consecutive audit, the college has not established adequate controls over student accounts receivable. An adequate system of internal control should include a periodic reconciliation of individual student accounts to the general ledger and provide for the timely collection of student accounts receivable.

The following weaknesses were noted relating to student accounts receivable:

- . The college has not reconciled amounts owed by students recorded in the student database (subsidiary student records) to accounts receivable recorded in the general ledger. The student database includes a detailed record of tuition and fees assessed, payments or credits received on account, and the outstanding balance owed for each student. Periodically, the college's accounting system summarizes the individual charges and payments on the student database and records the summarized transactions to the general ledger accounts. At June 30, 2000, there is a \$22,265 unreconciled difference between the outstanding balances in the subsidiary student records (Aging Analysis Report) and the general ledger.
- . Management has not adopted policies and procedures for the collection of student accounts receivable and has not actively pursued collection of student accounts receivable. As of June 30, 2000, the college's general

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ledger includes student accounts receivable totaling \$207,298. Of this amount, \$69,521 (34%) represents amounts owed to the college for more than one year.

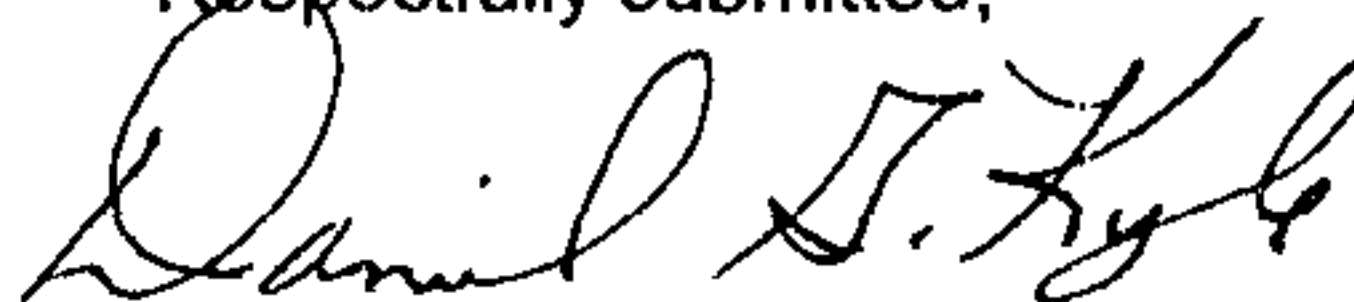
Although the college's current accounting staff is attempting to reconcile the general ledger to the subsidiary student records, sufficient emphasis has not been placed on internal control over student accounts receivable. Failure to reconcile the subsidiary student records to the respective general ledger account balances increases the risk that receivables may not be properly recorded in the general ledger. Failure to adopt policies and procedures for the collection of student accounts receivable and to actively pursue collection of student accounts receivable increases the risk that amounts owed to the college will not be collected.

Management of the college should establish policies and procedures for periodic reconciliation of individual student accounts receivable to the general ledger. In addition, the college should adopt policies and procedures for the collection of student accounts receivable, determine the collectibility of amounts owed to the college, and actively pursue collection of those accounts determined to be collectible. Management of the college concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 2-3).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the college. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the college should be considered in reaching decisions on courses of action.

This letter is intended for the information and use of the college and its management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

LLG:THC:RCL:ss

{BRCC}

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



BRCC

November 28, 2000

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Management of Baton Rouge Community College concurs with the finding and recommendations related to the finding **"Accounting Records Do Not Agree with Bank Deposits"**.

Management of Baton Rouge Community College recognizes the importance of timely preparation of bank reconciliations. The differences noted in the finding were actually discovered by management when bank reconciliations procedures were implemented. Bank reconciliation procedures were implemented in February 2000 and involved the preparation of monthly bank reconciliations beginning with the month ended July 31, 1999. As noted in the finding, the material portion of the difference was from the fiscal year ending June 30, 1999 when there was different management at the College. The differences between accounting records and deposits essentially ended in the first half of the fiscal year ended June 30, 2000. Upon discovery of the differences, the College immediately notified the Office of Risk Management and was informed of a one-year period the College had in which it could file a claim with Risk Management. The one-year period ends March 1, 2001 and the College will soon complete its detailed investigation. After completion of the investigation, the College will take the appropriate action to include notifying law enforcement authorities if necessary.

The person responsible for corrective action is Mark G. Trepagnier, CPA, Acting Vice Chancellor for Finance and Director of Accounting and Finance. If you have any questions regarding our response, please advise.

Sincerely,

Dr. Walter G. Bumphus
Chancellor



BRCC

November 28, 2000

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Management of Baton Rouge Community College concurs with the finding and recommendations related to the finding **"Lack of Controls Over Student Accounts Receivable"**.

Management of Baton Rouge Community College recognizes the importance of reconciling individual student accounts receivable to the general ledger. The Office of Accounting and Finance has begun a detail analysis of student accounts receivable to ensure the accuracy of the subsidiary records. Additionally, the College has scheduled an accounts receivable consultant from the system software manufacturer for January 2001 to provide additional training to staff. After completion of the consultant's training and analysis of the subsidiary records, the College will be in position to record the needed adjustments to ensure that the subsidiary records agree to the general ledger. The accounts receivable system only allows current data to be reported. It is unable to recapture accounts receivable data as of a prior date without including subsequent transactions. As a result of this, subsidiary records as of year-end, may only be provided at actual year-end. Subsequent to year-end, management of the College discovered this and was unable to provide more accurate subsidiary student records. This situation will resolve itself at June 30, 2001 when management is fully aware of the situation and is able to provide the needed subsidiary reports at that time.

Management of Baton Rouge Community College also recognizes the importance of maintaining an adequate system for the timely collection of student accounts receivables. The Office of Accounting and Finance has explored the use of the Attorney General's Office and the District Attorney's Office in the collection of students accounts receivable. It is anticipated that the College will begin using these two agencies as appropriate. Additionally, the College will determine the feasibility of using a private collection agency for accounts that cannot be handled by either the Attorney General or District Attorney. If a private collection agency proves to be economically feasible, the College will look to contract those services.

The person responsible for corrective action is Mark G. Trepagnier, CPA, Acting Vice Chancellor for Finance and Director of Accounting and Finance. If you have any questions regarding our response, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Walter G. Bumphus", with a long horizontal flourish extending to the right.

Dr. Walter G. Bumphus
Chancellor